

**VILLAGE OF SEBEWAING
SEBEWAING, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2008**

VILLAGE OF SEBEWAING, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
REPORT OF INDEPENDENT AUDITORS	i - ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii - ix
BASIC FINANCIAL STATEMENTS	1
Government-Wide Financial Statements:	
Statement of Net Assets	2 – 3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds	5
Reconciliation of Governmental Fund Balances to Governmental Activities Net Assets	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Assets – Proprietary Funds	9 - 10
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	11
Statement of Cash Flows – Proprietary Funds	12 - 14
Notes to the Financial Statements	15 - 31
REQUIRED SUPPLEMENTAL INFORMATION	32
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	33 - 35

VILLAGE OF SEBEWAING, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
SUPPLEMENTAL INFORMATION	36
Nonmajor Governmental Funds:	
Combining Balance Sheet	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	38
Major Street Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	39 - 40
Local Street Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	41 - 42
Street Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	43
Proprietary Fund Types:	
Statement of Revenues and Expenses – Budget and Actual – Sanitary Sewer Fund	44
Statement of Revenues and Expenses – Budget and Actual – M-25 Water and Sewer System Fund	45
Statement of Revenues and Expenses – Budget and Actual – Internal Service Fund	46
Schedule of M-25 Sewer and Water Construction Bonds	47



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REPORT OF INDEPENDENT AUDITORS

To The Honorable Village Council
Village of Sebewaing
Sebewaing, Michigan 48759

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sebewaing, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Sebewaing, Michigan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sebewaing, Michigan, as of March 31, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages iii through ix and 32 through 35, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Report of Independent Auditors (Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Sebewaing, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NIETZKE & FAUPEL, P.C.
SEBEWAING, MICHIGAN

September 26, 2008

VILLAGE OF SEBEWAING, MICHIGAN

Management's Discussion and Analysis

March 31, 2008

This overview and analysis of the financial activities of the Village for the fiscal year ended March 31, 2008 is offered in conjunction with the Village's financial statements.

This overview also includes statements from the Sebewaing Light and Water Department as part of the Business-type activities.

Financial Highlights

The combined assets of the Village exceeded its liabilities at the close of the fiscal year by \$18,537,959. (See Statement of Net Assets page 3/compared to FY-07)

The Village of Sebewaing's total net assets increased by \$438,552. The governmental activities increased by \$20,710 due to a prior period adjustment and the business-type activities increased by \$417,842. (See Statement of Net Assets Page 3/ compared to FY-07)

At the close of the fiscal year, the Village's governmental funds reported a combined ending fund balance of \$798,057 (page 5). The combined net assets for the business-type activities and the internal service fund were \$14,811,034. (See Statement of Net Assets - Page 10)

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the financial statements of the Village. The financial statements provide information about the activities of the Village as a whole and will present a long-term view of the overall finances of the Village.

VILLAGE OF SEBEWAING, MICHIGAN**Management's Discussion and Analysis
March 31, 2008****The Village as a Whole**

The table below shows the comparison of net assets, in a condensed format, as of March 31, 2008 to the prior year:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>March 31,</u> <u>2008</u>	<u>March 31,</u> <u>2007</u>	<u>March 31,</u> <u>2008</u>	<u>March 31, 2007</u>
Assets				
Current Assets	\$1,011,839	\$ 819,943	\$6,150,435	\$ 6,671,053
Restricted Assets	14,270	192,843	1,598,224	1,574,092
Net Capital Assets	3,013,054	3,000,456	7,495,242	6,587,094
Other Assets	67,778	68,048	7,442	9,211
Total Assets	<u>4,106,939</u>	<u>4,081,290</u>	<u>15,251,344</u>	<u>14,841,450</u>
Liabilities				
Current Liabilities	14,297	48,074	334,421	328,220
Long Term Debt	98,280	109,561	323,327	337,477
Total Liabilities	<u>112,575</u>	<u>157,635</u>	<u>657,749</u>	<u>665,697</u>
Net Assets				
Capital Assets	2,971,389	2,955,456	7,295,243	6,352,094
Restricted Assets	14,270	192,842	1,598,224	1,574,092
Unrestricted assets	958,706	775,356	5,700,127	6,249,567
Total Net Assets	<u>\$3,944,364</u>	<u>\$3,923,654</u>	<u>\$14,593,595</u>	<u>\$14,175,753</u>

	<u>Total</u>	
	<u>March 31,</u> <u>2008</u>	<u>March 31,</u> <u>2007</u>
Assets		
Current Assets	\$7,162,274	\$7,490,996
Restricted Assets	1,612,494	1,766,935
Net Capital Assets	10,508,296	9,587,550
Other Assets	75,220	77,259
Total Assets	<u>19,358,283</u>	<u>18,922,739</u>
Liabilities		
Current Liabilities	348,718	376,294
Long Term Debt	421,607	447,038
Total Liabilities	<u>770,324</u>	<u>823,332</u>
Net Assets		
Capital Assets	10,266,632	9,307,549
Restricted Assets	1,612,494	1,766,934
Unrestricted Assets	6,658,833	7,024,923
Total Net Assets	<u>\$18,537,959</u>	<u>\$18,099,407</u>

VILLAGE OF SEBEWAING, MICHIGAN**Management's Discussion and Analysis****March 31, 2008**

The Village's combined net assets increased from \$18,099,407 a year ago, to \$18,537,959. (See Statement of Net Assets Page 3/compared to FY 07)

Unrestricted net assets, the part of net assets that can be used to finance the day-to-day operations ended the fiscal year with a balance of \$958,705 for governmental activities. (See Page 3)

The following table shows the changes in net assets as of March 31, 2008 and the prior year:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues				
Charges for Services	\$ 95,191	\$ 80,059	\$4,134,672	\$ 3,914,210
Operating Grants and Contributions	3,936	1,229	9,000	9,000
Capital Grants and Contributions		425,581		
Property Taxes	567,045	547,167	99,621	102,098
State Shared Revenues	481,802	382,727	5,074	10,148
Investment Earnings	35,077	38,309	309,487	364,898
Miscellaneous	32,768	194,369	10,418	251,435
Gain (loss) on Sale of Capital assets	(5,571)	(11,677)		
Transfers – net	(56,822)	(58,989)	40,089	39,256
Total revenues and Transfers	<u>1,153,426</u>	<u>1,598,775</u>	<u>4,608,361</u>	<u>4,691,045</u>
Program Expenses				
General Government	275,783	189,216		
Public Safety	330,012	378,556		
Highway and Public Improvements	379,207	686,840		
Sanitation	84,503	72,834		
Parks and Recreation	72,174	82,315		
Sewer			313,416	319,523
Water and Sewer Projects			26,166	28,487
Light and Water			3,850,936	3,611,643
Unallocated Depreciation	14,725	8,602		
Total Expenses	<u>1,156,404</u>	<u>1,418,365</u>	<u>4,190,519</u>	<u>3,959,653</u>
Change in Net Assets	(2,978)	180,410	417,842	731,392
Prior Period Adjustment	23,688			
Net Assets -				
Beginning of Year	<u>3,923,654</u>	<u>3,743,243</u>	<u>14,175,753</u>	<u>13,444,361</u>
Net Assets – End of Year	<u>\$3,944,364</u>	<u>\$3,923,654</u>	<u>\$14,593,595</u>	<u>\$14,175,753</u>

VILLAGE OF SEBEWAING, MICHIGAN**Management's Discussion and Analysis
March 31, 2008**

	<u>Total</u>	
	<u>March 31,</u> <u>2008</u>	<u>March 31,</u> <u>2007</u>
Revenues		
Charges for Services	\$4,229,863	\$ 3,994,269
Operating Grants and Contributions	12,936	10,229
Capital Grants and Contributions		425,581
Property Taxes	666,666	649,265
State Shared Revenues	486,876	392,875
Investment Earnings	344,564	403,207
Miscellaneous	43,185	445,802
Gain (loss) on Sale of Capital Assets	(5,571)	(11,677)
Transfers – net	(16,733)	(19,733)
Total revenues and Transfers	<u>5,761,787</u>	<u>6,289,818</u>
Program Expenses		
General Government	275,783	189,216
Public Safety	330,012	378,556
Highway and Public Improvements	379,207	686,840
Sanitation	84,503	72,834
Parks and Recreation	72,174	82,315
Sewer	313,416	319,523
Water and Sewer Projects	26,166	28,487
Light and Water	3,850,936	3,611,643
Unallocated Depreciation	14,725	8,602
Total Expenses	<u>5,346,922</u>	<u>5,378,017</u>
Change in Net Assets	414,864	911,801
Prior Period Adjustment	23,688	
Net Assets - Beginning of Year	18,099,407	17,187,604
Net Assets - End of Year	<u>\$18,537,959</u>	<u>\$18,099,407</u>

Governmental Activities

The Village's total governmental expenses decreased by \$261,961 or 18 percent, from the last fiscal year (page 35/compared to FY 07). This decrease was due to the higher expenses in FY 07 for improvements made to the Village's infrastructure related to Lapeer Metal Stamping Project which was finish in FY 07.

The governmental revenue also decreased from FY 07 by \$445,349 or 28%. The decrease was the result of the Village receiving a capital grant in FY 07 to finance the Lapeer Metal Stamping Project discussed above.

VILLAGE OF SEBEWAING, MICHIGAN

Management's Discussion and Analysis

March 31, 2008

Business-type Activities

The Village's business-type activities consist of the Light and Water Department, the Sanitary Sewer, and M-25 Water and Sewer Funds. The Village provides electricity, water and sewer services to the village residents and to some township residents by village-owned and operated systems.

The Light and Water Fund had an increase in net assets of \$226,174 (page 11) and its cash flow from operating activities decreased by \$404,492. The decrease is comprised of an increase in payments to suppliers of \$559,037, an increase in payments to employees of \$22,887 and an increase in payments for fringe benefits of \$25,594. (page 12)

The Sewer Fund had an increase in net assets of \$159,039 on operating revenues of \$431,543 and non-operating revenues of \$39,360. (page 11) Revenues were up from the prior year due to an increase in the ready to serve charge. The Village Council passed an increase of \$10.00 per property on August 6, 2007 (effective November 1, 2007) upon recommendation of the Sebewaing Sanitary Sewer Commission due to the failing sewer system. Cash flows from operating activities of the Sewer Fund increased \$49,595 due primarily to the ready to serve charge increase. (page 12 /compared to FY07)

The Village's Funds

Our analysis of the Village's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax mileages. The Village's major fund for the current year was the General Fund.

The General Fund pays for most of the Village's governmental services. The most significant are Public Safety, General Government, Public Services, and Parks and Recreation, which incurred expenditures of \$918,165 (page 7) in the current fiscal year. This was an increase of \$67,693 or 8% over FY 07. These costs are funded by real and personal property taxes and other general revenue sources of the General Fund.

For the current fiscal year, the general fund expenditures exceeded the revenues by \$110,588 leaving a fund balance of \$407,426 as of March 31, 2008. At March 31, 2008 the fund balance represents 44% of the general fund expenditures.

General Fund Budgetary Highlights

Overall, revenues in the General Fund exceeded the budget by \$112,858. The material differences from the budgeted amounts are as follows. The Village received a grant from the State of Michigan in the amount of \$100,000 to finance the dredging of the Sebewaing River along with its regular state revenue sharing of \$236,613. This accounts for the difference of the actual state intergovernmental revenue over the budgeted amount by \$97,043. Miscellaneous revenues exceed the budgeted amount by \$10,850. The Village departmental expenditures in the General Fund were over the budget projections by \$51,450. This variance was created by an additional \$81,299 spent in capital outlays. Included in the actual capital outlay expenditures was \$100,000 for the river dredging project which was financed by the state grant.

VILLAGE OF SEBEWAING, MICHIGAN

Management's Discussion and Analysis

March 31, 2008

Capital Asset and Debt Administration

As of March 31, 2008, the Village had a total of approximately \$9.8 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, equipment and electric, water and sewer lines. The Village acquired \$169,309 of capital assets for the governmental activities and \$1,393,969 for the business-type activities. Acquisitions included a new office building for the Village, remodeling the office for the Light and Water Department, improvements to the electric system, and the installation of new water and sewer mains.

Bonded debt

During the 2008 fiscal year, no new debt was issued by the Village. The Village did retire long-term debt in the amount of \$43,793. The principal payments on the long-term debt included \$35,000 to retire general obligations bonds, \$3,335 of principal on the note payable due for the purchase of the vacant building for the new village office, and \$5,458 for reduction in the Village's liability to the employees for compensated absences. More detailed information concerning capital assets and long-term debt can be found in Notes 1 and 8, respectively, in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

During the past year, the Village continued meeting the actuarial required contributions for its defined benefit pension system. However, management believes the employee contribution percentage needs to be reassessed due to trend information compiled by the actuarial firm of Gabriel Roeder Smith & Company and furnished by the Michigan Municipal Employees Retirement System (MERS). This information indicates that the annual pension cost is increasing, the actuarial liability is increasing, the unfunded AAL is increasing, and the funded percentage is decreasing. In summary, the pension liability is increasing at a greater pace than the funding of the pension liability. The employee contribution percentage for each unit has remained constant at 4.7%, while the employer contribution percentage has been steadily increasing. According to Gabriel Roeder Smith & Company, a member contribution of 1% of pay will reduce the Village of Sebewaing's long-term contribution requirement (28 years amortization) by .87% of pay. This is necessary for the Village as future taxpayers should not be required to fund benefit payments that were earned in the current period.

Increasing the capacity of the Village's sanitary sewer lagoon system is in the Village's future. With the capital cost of adding a cell to the existing system, the Village's sewer rates were studied. The sewer rate structure was revised to a water consumption and ready to serve charge to customers of the sanitary sewer system instead of the unit charge that has been in place since 1972. After the rate studies, rates were increased on April 1, 2005, May 1, 2006 and again on November 1, 2007. Revenues received for the March 31, 2008 fiscal year were higher than budgeted by \$62,174. Rates will be reviewed again during the 2008-2009 fiscal year.

Due to the age of the Sanitary Sewer System, which was constructed in 1972, the Village started a four year program in 2005 to video inspect the entire sanitary sewer system. The Village budgeted \$20,000 for 2006, \$20,000 for 2007, \$21,500 for 2007/08, and \$12,000 for 2008/09 for these inspections. It is expected that the final video inspections of 8,000 linear feet will take place in fiscal year 2008-2009.

VILLAGE OF SEBEWAING, MICHIGAN

Management's Discussion and Analysis

March 31, 2008

In 2005, the Village relined 2,500 linear feet of sanitary sewer lines at a cost of approximately \$110,000. In 2006, the Village relined an additional 1,150 linear feet of sewer lines for \$45,000. In 2007/08, the Village expended \$38,667 for relining of the sewer system lines. The costs for any relining that may be required, as a result of the video inspections, was included in the 2008/09 budget in the amount of \$50,000 under Capital Outlays – Sewer Fund.

The Village constructed a new sewer lift station during the current fiscal year. The total cost estimate for this project was \$350,000. The total amount spent on this project for the current fiscal year was \$624,867. This amount was comprised of \$575,726 in construction costs and \$49,141 in engineering fees. The project costs were \$274,867 over budget. There was no grant funding available for this project. As such, the sewer fund paid for this project through the increased sewer rates as discussed previously and the existing sewer fund balance.

The foregoing paragraph illustrates the need to maintain an operating budget (short-term) from a capital (infrastructure) budget (long-term) to readily and concisely maintain oversight responsibility for these costly capital projects. Management is mandating a clear-cut separation of operating expenditures from capital expenditures for the upcoming fiscal years. It is understood that capital expenditures have a long lasting value in preserving the Village's infrastructure. Capital expenditures are costly and have a longer life than operating fund expenditures which are used to meet day-to-day expenses. As such, it is determined that capital expenditures are to be segregated from general operating (day-to-day) expenditures for budget purposes and oversight responsibility. These capital expenditures are to be accounted for separately and removed from the operating budget. All revenues derived for capital improvements (for example: Sewer Fund User Fees) are to be placed in capital revenue or restricted funds for the sole purpose of funding capital improvements and precluded from meeting operating expenses for that specific fund. In this way, budget oversight is not compromised, but is clear cut and transparent to all future elected officials who are charged with the responsibility of safeguarding public funds for the benefit of all taxpayers of the Village.

The Village of Sebewaing and the Sebewaing Light and Water Department have occupied the same office building, located at 108 & 110 W. Main Street, since approximately 1950. Due to the increase in staff, equipment and storage requirements, both offices have outgrown the space. In November 2006, the Village purchased a vacant building located at 222 North Center Street for \$55,000 and the Sebewaing Light and Water Department purchased the Village's portion of the existing office building for \$150,000. The terms for the purchase of the new building were \$10,000 down and an equal annual payment of \$6,260, plus 6.5% interest on the unpaid balance. The first annual payment was made in November 2007 and the final payment will be due in November 2016.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village Office, at 222 N. Center Street, Sebewaing, Michigan 48759.

BASIC FINANCIAL STATEMENTS

Page 10

VILLAGE OF SEBEWAING, MICHIGAN

**STATEMENT OF NET ASSETS
MARCH 31, 2008**

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and deposits	\$ 645,824	\$ 3,525,788	\$ 4,171,612
Investments	167,851	1,984,178	2,152,029
Accounts receivable	58,369	139,040	197,409
Accrued interest receivable	2,388	21,913	24,301
Inventory		400,218	400,218
Prepaid insurance	37,259	48,235	85,494
Internal balances	(31,064)	31,064	-
Due from State	100,000		100,000
Due from Harbor Commission	31,210		31,210
Restricted assets:			
Cash and deposits	14,270	1,488,800	1,503,070
Investments		109,424	109,424
Nondepreciated capital assets	170,717	262,447	433,164
Capital assets	3,962,478	14,405,982	18,368,460
Less accumulated depreciation	(1,120,141)	(7,401,724)	(8,521,865)
Construction in progress		228,537	228,537
Investment in Sebewaing Harbor Commission	67,778		67,778
Bond issue costs		40,674	40,674
Less accumulated amortization		(33,232)	(33,232)
<u>TOTAL ASSETS</u>	<u>4,106,939</u>	<u>15,251,344</u>	<u>19,358,283</u>

(Continued)

VILLAGE OF SEBEWAING, MICHIGAN

**STATEMENT OF NET ASSETS
MARCH 31, 2008**

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTALS</u>
LIABILITIES:			
Accounts payable	8,783	321,010	329,793
Accrued payroll taxes	1,142	4,338	5,480
Accrued payroll	4,371	2,831	7,202
Compensated absences	56,614	104,966	161,580
Deferred revenue		5,074	5,074
Customer deposits		18,361	18,361
Note payable	41,665		41,665
Payable from restricted assets:			
Accrued interest payable		1,169	1,169
General obligation bonds payable		200,000	200,000
TOTAL LIABILITIES	<u>112,575</u>	<u>657,749</u>	<u>770,324</u>
NET ASSETS:			
Invested in capital assets, net of related debt	2,971,389	7,295,243	10,266,632
Restricted for:			
Debt service		76,514	76,514
Capital projects	14,270	1,521,710	1,535,980
Unrestricted	958,706	5,700,127	6,658,833
TOTAL NET ASSETS	<u>\$ 3,944,364</u>	<u>\$ 14,593,595</u>	<u>\$ 18,537,960</u>

VILLAGE OF SEBEWAING, MICHIGAN

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008**

	PROGRAM REVENUES		NET (EXPENSE) REVENUES & CHANGES IN	
	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	NET ASSETS	
			GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
EXPENSES				TOTALS
Governmental Activities:				
General government	\$ 275,783	\$ 3,700	\$ (272,083)	\$ (272,083)
Public safety	330,012		(328,854)	(328,854)
Highways and public improvements	379,207		(377,707)	(377,707)
Sanitation	84,503		6,480	6,480
Parks and recreation	72,174	236	(70,388)	(70,388)
Unallocated depreciation	14,725		(14,725)	(14,725)
Total governmental activities	1,156,404	3,936	(1,057,277)	(1,057,277)
Business-Type Activities:				
Sewer	313,416		\$ 118,127	118,127
Water & sewer projects	26,166		(16,853)	(16,853)
Light & water	3,850,936	9,000	(148,120)	(148,120)
Total business-type activities	4,190,519	9,000	(46,847)	(46,847)
Total Government	\$5,346,922	\$ 12,936	(1,057,277)	(1,104,124)
General Revenue:				
Property taxes			567,045	666,666
State shared revenues			481,802	486,876
Unrestricted investment earnings			35,077	344,564
Miscellaneous			32,768	43,185
(Loss) on sale of capital assets			(5,571)	(5,571)
Transfers - net			(56,822)	(16,733)
Total general revenues and transfers			1,054,299	1,518,968
Change in net assets			(2,978)	414,864
Net assets - beginning			3,923,654	18,099,407
Prior period adjustment			23,688	23,688
Net assets - ending			\$3,944,364	\$18,537,959

The accompanying notes are an integral part of the financial statements.

VILLAGE OF SEBEWAING, MICHIGAN

**BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2008**

	<u>GENERAL</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash and deposits	\$ 227,416	\$ 279,614	\$ 507,030
Investments	70,523	81,110	151,633
Accounts receivable	33,163	25,206	58,369
Accrued interest receivable	1,125	1,054	2,179
Prepaid insurance	27,416	3,647	31,063
Due from State	100,000		100,000
Due from Harbor Commission	31,210		31,210
Restricted assets:			
Cash and deposits	14,270		14,270
TOTAL ASSETS	<u>\$ 505,123</u>	<u>\$ 390,631</u>	<u>\$ 895,754</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ 8,782		\$ 8,782
Due to other funds	33,402		33,402
Due to Sebewaing Township	50,000		50,000
Withheld and accrued payroll taxes	1,142		1,142
Accrued payroll	4,371		4,371
TOTAL LIABILITIES	<u>97,697</u>		<u>97,697</u>
<u>FUND BALANCES:</u>			
Unreserved, reported in:			
General Fund	393,156		393,156
Special Revenue Funds		\$ 390,631	390,631
Designated, reported in:			
General Fund	14,270		14,270
TOTAL FUND BALANCES	<u>407,426</u>	<u>390,631</u>	<u>798,057</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 505,123</u>	<u>\$ 390,631</u>	<u>\$ 895,754</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF SEBEWAING, MICHIGAN
RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO GOVERNMENTAL ACTIVITIES NET ASSETS
MARCH 31, 2008

Total governmental fund balances	\$ 798,057
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$4,133,195 less the accumulated depreciation of \$1,120,141.	3,013,054
Internal service fund is not included in the governmental funds.	163,754
Investment in Sebewaing Harbor Commission (a joint venture) is not included in the governmental funds.	67,778
Long-term liabilities, including compensated absences and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(98,279)
Net assets - governmental activities	<u>\$ 3,944,364</u>

VILLAGE OF SEBEWAING, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>GENERAL</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUE:			
Taxes	\$ 394,816	\$ 137,379	\$ 532,195
Licenses and permits	880		880
Intergovernmental	336,613	192,523	529,136
Fines	6,101		6,101
Charges for services	90,983		90,983
Miscellaneous	<u>33,440</u>	<u>16,784</u>	<u>50,223</u>
TOTAL REVENUE	<u>862,833</u>	<u>346,686</u>	<u>1,209,519</u>
EXPENDITURES:			
Current:			
General government	167,741		167,741
Public safety	318,312		318,312
Public services	140,869		140,869
Highways and streets		270,922	270,922
Parks and recreation	48,705		48,705
Capital outlay	<u>242,538</u>		<u>242,538</u>
TOTAL EXPENDITURES	<u>918,165</u>	<u>270,922</u>	<u>1,189,087</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(55,332)</u>	<u>75,764</u>	<u>20,432</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	1,566	99,453	101,019
Operating transfers out	<u>(56,822)</u>	<u>(101,019)</u>	<u>(157,840)</u>
TOTAL OTHER FINANCING (USES)	<u>(55,256)</u>	<u>(1,566)</u>	<u>(56,822)</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(110,588)</u>	<u>74,198</u>	<u>(36,390)</u>
FUND BALANCE - BEGINNING	518,014	316,433	834,447
FUND BALANCE - ENDING	<u>\$ 407,426</u>	<u>\$ 390,631</u>	<u>\$ 798,057</u>

VILLAGE OF SEBEWAING, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008**

Net change in fund balances - governmental funds	\$ (36,390)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets with an initial, individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlays	\$ 142,561	
Depreciation expense	<u>(105,540)</u>	
		37,021

The net expense of certain activities of internal service fund is reported with governmental activities.	(9,050)
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Principal payment on the office building loan was not reported with governmental activities.	3,335
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The decrease in accrued compensated absences is not reported with governmental activities.	7,947
--	-------

Gains on sale of capital assets are not recorded in the governmental funds.	(5,571)
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Equity method loss recognized from the Sebewaing Harbor Commission.	(270)
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Change in net assets of governmental activities	<u>\$ (2,978)</u>
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VILLAGE OF SEBEWAING, MICHIGAN
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
MARCH 31, 2008

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND</u>
	<u>SANITARY SEWER</u>	<u>M-25 WATER AND SEWER SYSTEM</u>	<u>LIGHT AND WATER DEPARTMENT</u>	<u>TOTALS</u>	
ASSETS					
CURRENT ASSETS:					
Cash and deposits	\$ 325,955		\$ 3,199,833	\$ 3,525,788	\$ 138,794
Investments	94,261		1,889,917	1,984,178	16,219
Accounts receivable	83,820	\$ 2,430	52,790	139,040	
Due from other funds			33,402	33,402	
Accrued interest receivable	1,903	388	19,622	21,913	210
Inventory	3,278		396,940	400,218	
Prepaid insurance	3,200		45,035	48,235	6,197
TOTAL CURRENT ASSETS	<u>512,417</u>	<u>2,818</u>	<u>5,637,539</u>	<u>6,152,774</u>	<u>161,420</u>
NONCURRENT ASSETS:					
Restricted assets					
Cash and deposits	237,390	251,409	1,000,000	1,488,800	
Investments	99,178	10,247		109,424	
Capital assets	3,289,464	419,844	11,187,658	14,896,966	500,008
Less: accumulated depreciation	(1,597,884)	(153,360)	(5,650,480)	(7,401,724)	(443,989)
Bond issue costs		40,674		40,674	
Less: Accumulated amortization		(33,232)		(33,232)	
TOTAL NONCURRENT ASSETS	<u>2,028,148</u>	<u>535,582</u>	<u>6,537,178</u>	<u>9,100,908</u>	<u>56,019</u>
TOTAL ASSETS	<u>2,540,565</u>	<u>538,400</u>	<u>12,174,717</u>	<u>15,253,682</u>	<u>217,439</u>

VILLAGE OF SEBEWAING, MICHIGAN

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
MARCH 31, 2008**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL</u>
	<u>SANITARY</u>	<u>M-25 WATER</u>	<u>LIGHT AND</u>	<u>ACTIVITIES -</u>
	<u>SEWER</u>	<u>AND</u>	<u>WATER</u>	<u>INTERNAL</u>
		<u>SEWER SYSTEM</u>	<u>DEPARTMENT</u>	<u>SERVICE FUND</u>
			<u>TOTALS</u>	
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	2,572		318,438	321,010
Accrued payroll taxes			4,338	4,338
Accrued payroll	1,385		1,446	2,831
Deferred revenue			5,074	5,074
Customer deposits			18,361	18,361
Payable from restricted assets				
Accrued interest payable		1,169		1,169
Bonds payable - Current		40,000		40,000
TOTAL CURRENT LIABILITIES	<u>3,957</u>	<u>41,169</u>	<u>347,657</u>	<u>392,783</u>
NONCURRENT LIABILITIES:				
Compensated absences	12,956		92,010	104,966
Bonds payable		160,000		160,000
TOTAL NONCURRENT LIABILITIES	<u>12,956</u>	<u>160,000</u>	<u>92,010</u>	<u>264,966</u>
TOTAL LIABILITIES	<u>16,913</u>	<u>201,169</u>	<u>439,667</u>	<u>657,749</u>
NET ASSETS:				
Invested in capital assets, net of related debt	1,691,580	66,484	5,537,179	56,019
Restricted for:				
Debt service		76,514		76,514
Capital projects	336,568	185,142	1,000,000	1,521,710
Unrestricted	495,504	9,091	5,197,871	161,419
TOTAL NET ASSETS	<u>\$ 2,523,652</u>	<u>\$ 337,231</u>	<u>\$ 11,735,050</u>	<u>\$ 217,439</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds			(2,338)	
Net assets of business-type activities			<u>\$ 14,593,595</u>	

VILLAGE OF SEBEWAING, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2008**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
	SANITARY SEWER	M-25 WATER AND SEWER SYSTEM	LIGHT AND WATER DEPARTMENT	TOTALS	
OPERATING REVENUE:					
Charges for services	\$ 431,543	\$ 9,313	\$ 3,693,816	\$ 4,134,672	\$ 88,350
Current property taxes			99,621	99,621	
Intergovernmental			5,074	5,074	
TOTAL OPERATING REVENUE	<u>431,543</u>	<u>9,313</u>	<u>3,798,511</u>	<u>4,239,367</u>	<u>88,350</u>
OPERATING EXPENSES:					
Salaries and wages	88,563			88,563	12,018
Employee benefits	36,763			36,763	6,537
Laboratory tests	5,238			5,238	
Operating supplies					1,445
Gas and oil					18,147
Audit fees	3,400			3,400	775
Printing and publishing	3,954			3,954	
Insurance	4,164			4,164	6,492
Lift station expense	4,880			4,880	
Maintenance and repair	83,113			83,113	14,238
Equipment rental	8,117			8,117	
Miscellaneous	1,244			1,244	
Depreciation	71,997	8,397		80,394	45,600
Capital outlay	433			433	
Internet			53,969	53,969	
Production			2,462,251	2,462,251	
Distribution			384,996	384,996	
General and administrative			949,720	949,720	
TOTAL OPERATING EXPENSES	<u>311,865</u>	<u>8,397</u>	<u>3,850,936</u>	<u>4,171,198</u>	<u>105,252</u>
OPERATING INCOME (LOSS)	<u>119,678</u>	<u>916</u>	<u>(52,425)</u>	<u>68,169</u>	<u>(16,903)</u>
NONOPERATING REVENUE (EXPENSES):					
Interest income	35,875	10,946	262,667	309,487	6,300
Miscellaneous	3,486		6,932	10,418	
Bond interest and fees		(16,001)		(16,001)	
Amortization		(1,768)		(1,768)	
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>39,360</u>	<u>(6,824)</u>	<u>269,599</u>	<u>302,136</u>	<u>6,300</u>
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES	<u>159,039</u>	<u>(5,908)</u>	<u>217,174</u>	<u>370,305</u>	<u>(10,602)</u>
OTHER FINANCING SOURCES:					
Operating transfer in		40,089		40,089	
Contributions			9,000	9,000	
CHANGE IN NET ASSETS	<u>159,039</u>	<u>34,181</u>	<u>226,174</u>	<u>419,394</u>	<u>(10,602)</u>
TOTAL NET ASSETS - BEGINNING	2,364,613	303,050	11,508,876		228,042
TOTAL NET ASSETS - ENDING	<u>\$ 2,523,652</u>	<u>\$ 337,231</u>	<u>\$ 11,735,050</u>		<u>\$ 217,439</u>

Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds

(1,554)

Change in net assets of business-type activities

\$ 417,842

VILLAGE OF SEBEWAING, MICHIGAN

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND</u>
	<u>SANITARY SEWER</u>	<u>M-25 WATER AND SEWER SYSTEM</u>	<u>LIGHT AND WATER DEPARTMENT</u>	<u>TOTALS</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 410,354	\$ 9,313	\$ 3,712,761	\$ 4,132,428
Receipts from interfund services	(109,809)		(2,530,029)	(2,639,838)
Payments to suppliers of goods and services	(8,117)			(8,117)
Payments for interfund services	(87,932)		(543,910)	(631,842)
Payments to employees	(36,763)		(291,183)	(327,946)
Payments for fringe benefits	167,733	9,313	347,639	524,685
NET CASH PROVIDED BY OPERATING ACTIVITIES				
				\$ 88,350
				(41,207)
				(12,018)
				(6,537)
				28,588
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfers in		40,089		40,089
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES				
				40,089
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on revenue bonds		(35,000)		(35,000)
Interest and fees paid on bonds		(16,204)		(16,204)
Acquisition of capital assets	(655,585)		(738,384)	(1,393,969)
Sale of assets			19,888	19,888
Contributed capital received			9,000	9,000
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES				
	(655,585)	(51,204)	(709,496)	(1,416,285)
				(3,059)

VILLAGE OF SEBEWAING, MICHIGAN

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND</u>
	<u>SANITARY SEWER</u>	<u>M-25 WATER AND SEWER SYSTEM</u>	<u>LIGHT AND WATER DEPARTMENT</u>	<u>TOTALS</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	37,474	10,556	253,428	301,458	6,090
(Increase) decrease in short-term investments	189,078	(453)		188,625	(5,986)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>226,552</u>	<u>10,103</u>	<u>253,428</u>	<u>490,083</u>	<u>104</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	<u>(261,300)</u>	<u>8,301</u>	<u>(108,429)</u>	<u>(361,427)</u>	<u>25,633</u>
CASH AND RESTRICTED CASH - BEGINNING OF THE YEAR	824,645	243,108	4,308,262	5,376,015	113,161
CASH AND RESTRICTED CASH - END OF THE YEAR	<u>\$ 563,345</u>	<u>\$ 251,409</u>	<u>\$ 4,199,833</u>	<u>\$ 5,014,588</u>	<u>\$ 138,794</u>
Cash Reconciliation:					
Cash	\$ 325,955		\$ 3,199,833	\$ 3,525,788	\$ 138,794
Restricted cash	237,390	\$ 251,409	1,000,000	1,488,800	
Total	<u>\$ 563,345</u>	<u>\$ 251,409</u>	<u>\$ 4,199,833</u>	<u>\$ 5,014,588</u>	<u>\$ 138,794</u>

VILLAGE OF SEBEWAING, MICHIGAN

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND</u>
	<u>SANITARY SEWER</u>	<u>M-25 WATER AND SEWER SYSTEM</u>	<u>LIGHT AND WATER DEPARTMENT</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ 119,678	\$ 916	\$ (52,425)	\$ (16,903)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	71,997	8,397	375,231	455,625
Loss on sale of fixed assets			1,907	1,907
Miscellaneous	3,486		6,931	10,417
(Increase) decrease in current assets:				
Accounts receivable - Trade	(24,674)		18,945	(5,729)
Due from Village			(25,000)	(25,000)
Prepaid insurance	(327)		20,383	20,056
Inventories			(28,016)	(28,016)
Increase (decrease) in current liabilities:				
Accounts payable	(3,057)		35,998	32,941
Due to other government			(156)	(156)
Accrued salaries and wages	631		(8,435)	(7,804)
Compensated absences			525	525
Accrued payroll taxes			1,051	1,051
Customer deposits			700	700
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 167,733</u>	<u>\$ 9,313</u>	<u>\$ 347,639</u>	<u>\$ 524,685</u>
				<u>\$ 28,589</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF SEBEWAING, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Village of Sebewaing operates a Council-Mayor form of government under provisions of a revised charter dated May 18, 1965, and provides the following services as authorized by its charter: public safety, (police and inspection), highways and streets, sanitation, water, parks and recreation, public improvements, planning and zoning, and general administration.

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the Village are discussed below.

Reporting Entity:

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB 14 pronouncement. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Village's reporting entity.

Included in the reporting entity:

Sebewaing Light and Water Department. The Light and Water Department is an entity legally separate from the Village and is governed by a four-member board of commissioners made up of members of the Village Council. For financial reporting purposes, the Light and Water Department is included in the reporting entity of the Village as a blended component unit because its purpose is to provide electric and water utility service to the residents of the Village.

Excluded from the reporting entity:

Unionville Sebewaing Area Schools. This potential component unit has a separate elected board and provides educational services to residents of the Village as well as other surrounding areas. This unit is excluded from the reporting entity because the Village does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

VILLAGE OF SEBEWAING, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Reporting Entity: (Continued)

Sebewaing Harbor Commission. The Village of Sebewaing along with Sebewaing Township created this separate legal entity for the purpose of planning, acquiring, constructing and operating a community harbor to provide recreational services to the residents of the Village and Township along with the general public. Each governing body appointed three members to create a six member Board of Commissioners. Based on the criteria for determining which component units to include in the reporting entity, the Village's management has excluded the Harbor Commission from the reporting entity of the Village. However, because of the financial interest and responsibility the Village and Township equally share for the Harbor Commission, the Harbor Commission is being treated as a joint venture between the Village of Sebewaing and the Sebewaing Township. The investment in the joint venture has been included in the government-wide statement of net assets and further disclosures related to the investment in the joint venture are included in Note 5.

Government Wide and Fund Financial Statements:

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's public safety and general administrative services are classified as governmental activities. The Village's water and sewer services are classified as business-type activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF SEBEWAING, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Village are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Intergovernmental revenue and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Village.

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Village reports the following major governmental funds:

General Fund-The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF SEBEWAING, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

The Village reports the following major proprietary funds:

The **Sewer Fund** accounts for the activities of the Village's wastewater treatment operations.

The **Light & Water Fund** accounts for the activities of the Village's electric and water distribution systems.

The **M-25 Fund** accounts for the retirement of bonds used to finance the expansion of the Village's water and sewer system to the M-25 District.

Additionally, the Village reports the following nonmajor fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The Major Street Fund and the Local Street Fund are special revenue funds used to account for revenue from State Revenue Sharing. The Street Tax Fund is a special revenue fund used to account for revenue from a special tax assessed for street and sidewalk maintenance. The Capital Projects Fund is a special revenue fund used to account for a grant received for the purpose of making infrastructure improvements around a local factory.

Internal Service Funds (Equipment Rental Fund) - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the utility enterprise fund and the Village's internal service fund are charges to customers for use of the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

VILLAGE OF SEBEWAING, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Budgets and Budgetary Accounting:

The Village Council practices the following procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Village charter, prior to March 1, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Village charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. The Village Clerk is required by the Village charter to present a monthly report to the Village Council explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each fiscal year.
8. The Village Council may authorize supplemental appropriations during the year.

Cash and Cash Equivalents:

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions, including all certificates of deposit. Investments in U.S. Treasury Securities and approved municipal investment pools are excluded from cash and cash equivalents.

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Other receivables at March 31, 2008 consist of state road taxes, and billings for user charged services, including trash collections and utility services. Trash and utility charges are deemed collectible in full.

Property Taxes:

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 14. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that it is measurable and available in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes).

VILLAGE OF SEBEWAING, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34. The Village has capitalized the current year's infrastructure, as required by GASB 34, and has reported the infrastructure in the Statement of Net Assets. The Village will not retroactively capitalize the major infrastructure assets acquired on or before March 31, 2004 as permitted by GASB 34.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	15 to 50
Buildings	25 to 50
Office equipment	5 to 15
Machinery and equipment	5 to 20
Vehicles	5 to 8
Improvements other than buildings	20

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental Statement of Net Assets. Depreciation expense for the year ended March 31, 2008, was \$105,540. Capital asset acquisitions in the governmental funds totaled \$169,309 and asset disposals totaled \$20,892 for the year ended March 31, 2008. A summary of Governmental Fund capital assets at March 31, 2008, follows:

VILLAGE OF SEBEWAING, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

	<u>March 31,</u>	
	<u>2008</u>	<u>2007</u>
Land (Nondepreciated)	\$ 170,717	\$ 164,223
Land improvements	222,546	222,546
Buildings	760,706	448,010
Equipment	295,978	308,598
Streets	2,172,665	2,147,741
Internal Service Fund assets	500,008	496,949
Other infrastructure	10,575	10,575
Construction in progress		186,136
Total capital assets	4,133,195	3,984,778
Less accumulated depreciation	1,120,141	984,322
Net governmental fund capital assets	\$ 3,013,054	\$ 3,000,456

Depreciation of capital assets used by business-type funds is charged as an expense against their operations. Accumulated depreciation is reported on business-type fund balance sheets. Depreciation expense for the year ended March 31, 2008 was \$455,625. Capital asset acquisitions in the business-type funds totaled \$1,393,969 and there were asset disposals of \$106,782 for the year ended March 31, 2008. A summary of Business-Type Fund capital assets at March 31, 2008, follows:

	<u>March 31,</u>	
	<u>2008</u>	<u>2007</u>
Land (Nondepreciated)	\$ 262,447	\$ 291,978
Land improvements	74,950	74,950
Buildings	2,021,070	1,609,605
Equipment	296,513	284,223
Electric system	5,867,858	5,772,909
Water system	3,186,587	2,907,017
Sewer collection system	3,099,868	2,365,520
Roads and fencing	75,040	75,040
Construction in progress	12,633	228,537
Total capital assets	14,896,966	13,609,779
Less accumulated depreciation	7,401,724	7,022,685
Net business-type fund capital assets	\$ 7,495,242	\$ 6,587,094

VILLAGE OF SEBEWAING, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Public safety	\$10,449
Highways and public improvements	58,008
Parks and recreation	22,358
Unallocated	<u>14,725</u>
Total depreciation expense – governmental activities	<u>\$105,540</u>

Business-type activities:

Sewer	\$ 71,997
Light and water	375,231
Water and sewer projects	<u>8,397</u>
Total depreciation expense – business-type activities	<u>\$455,625</u>

Compensated Absences:

Village and Light and Water Department employees are allowed to accumulate a maximum of one hundred twenty days of sick leave. In the event of death, termination of employment, or retirement of an employee, one-half of sick leave accumulation is paid to the employee at his current rate of pay. Unused sick leave in excess of one hundred twenty days is paid annually at one-half of regular pay rate. There is no accumulation of unused vacation days allowed. The Village accrues a liability for compensated absences based on the estimate of accumulated sick leave that will be paid to its employees upon termination of employment in accordance with the requirements of GASB Statement 16. For governmental funds, the liability for compensated absences is recorded in the government-wide statement of net assets since it is anticipated that none of the liability will be liquidated with expendable available financial resources. The liability for compensated absences is recorded in proprietary fund types as an accrued liability in accordance with GASB Statement 16.

Long-Term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

VILLAGE OF SEBEWAING, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Transfers:

Transfers between funds are made to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Prior Period Adjustment:

The prior period adjustment represents construction in progress costs that were paid in the fiscal year ended March 31, 2007. However, they were not capitalized during the fiscal year and were expensed in error. The prior period adjustment reflects the effect of capitalizing the costs during the fiscal year ended March 31, 2008.

NOTE 2 - BUDGET COMPLIANCE:

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Village's expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Village for these budgetary funds were adopted at the department head/function level.

During the year ended March 31, 2008, the following expenditures were in excess of the amounts appropriated for the year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Capital outlay	\$ 161,239	\$ 242,538	\$ (81,299)

NOTE 3 - CASH, CERTIFICATES OF DEPOSIT AND INVESTMENTS:

The carrying amount of cash and deposits with financial institutions of the Village of Sebewaing amounted to \$5,674,682 at March 31, 2008. The total bank balance as of the same date was \$6,229,811. Deposits with financial institutions are categorized as follows:

	<u>March 31, 2008</u>
Amount insured by the FDIC	\$2,198,432
Uncollateralized	3,846,241
Deposits held by Huron County	185,138
Total deposits with financial institutions	<u>\$6,229,811</u>

The portion of the total deposits categorized as uncollateralized which is the property of the Village of Sebewaing is \$587,381, and \$3,258,860 is the property of the Sebewaing Light and Water Department, an Enterprise Fund.

VILLAGE OF SEBEWAING, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 3 - CASH, CERTIFICATES OF DEPOSIT AND INVESTMENTS: (CONTINUED)

The carrying amount of cash and deposits, which were restricted or designated for specific purposes as of March 31, 2008, amounted to \$1,503,070. Cash and deposits were restricted or designated for the following purposes:

	March 31, 2008
Village beautification	\$ 7,785
Parks equipment	200
Scheiwe bell tower	582
Playscape	2,703
New village office	3,000
Retirement of general obligation sanitary sewer bonds and to extend, enlarge and improve the sewer system	488,800
Building and equipment replacement for the Light and Water Department	<u>1,000,000</u>
Total restrictions on deposits	<u>\$1,503,070</u>

Michigan Compiled Laws Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority. The Village has authorized management to deposit and invest in the accounts of federally insured banks and savings and loan associations within the State of Michigan and bonds, securities and other obligations of the United States, or any agency of the United States in which the principal and interest is fully guaranteed by the United States. The Village's deposits and investments are within the authorization as set forth by the Village of Sebewaing. The Village's investment policy does not address the risk categories required by GASB Statement No. 40.

Investments:

At March 31, 2008, the Sebewaing Light and Water Department held investments of \$1,900,000 in U.S. Treasury Securities with a carrying amount of \$1,889,917, which approximates the market value. The Light and Water Department owns the U.S. Treasury Securities directly and has purchased the securities through a "Treasury Direct" account with the Federal Reserve Bank of Chicago. Therefore, the investment would be classified as a Category 1 investment (Insured or registered, with securities held by the Department or its agent in the Department's name).

VILLAGE OF SEBEWAING, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 3 - CASH, CERTIFICATES OF DEPOSIT AND INVESTMENTS: (CONTINUED)

The Village also invested its own funds in a municipal investment pool separate from Light and Water Department during the year ended March 31, 2008. The balance in the Village's municipal investment pool at March 31, 2008, was \$371,537. Of these investments, \$109,424 has been restricted for the following purposes:

Sewer system replacement	\$ 99,177
Redemption of M-25 Sewer and Water	
Construction Bonds	<u>10,247</u>
Total restrictions on investments	<u>\$109,424</u>

At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Average Maturity</u>
Governmental Activities:		
Cash management account	\$ 167,851	1 day
Business-Type Activities:		
Cash management account	203,685	1 day
U.S. Treasury Securities	<u>1,889,917</u>	50.9 days
	<u>\$ 2,261,453</u>	

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Transfers were made between funds to subsidize operations. The amount of transfers and the amount of interfund receivables and payables are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Operating Transfer In</u>	<u>Operating Transfer Out</u>
General Fund		\$33,402	\$ 1,566	\$ 40,089
Street				100,566
Local Street			84,500	
Major Street			14,953	
Capital Projects Fund				453
Light & Water Department	\$33,402			
M-25 Water & Sewer			<u>40,089</u>	
	<u>\$33,402</u>	<u>\$ 33,402</u>	<u>\$141,108</u>	<u>\$141,108</u>

VILLAGE OF SEBEWAING, MICHIGAN

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 5 - INVENTORIES:

Inventories are stated at cost determined on the first-in, first-out method. Inventories consisted of the following:

	March 31, 2008
Light Department:	
Poles, towers, fixtures	\$ 26,353
Line material	111,992
Line transformers	152,514
Meters	5,341
Street lighting	10,031
Customer service – Lamps	814
Office supplies	600
Lamps – Resale	5,888
Fuel oil, lubricants	30,208
Customer service – Material	<u>1,500</u>
Total Light Department	<u>345,241</u>
Water Department:	
Distribution mains, services	10,606
Fire hydrants	9,557
Meters	4,826
Maintenance supplies	26,360
Office supplies	<u>350</u>
Total Water Department	<u>51,699</u>
Sanitary Sewer Fund:	
Pipes, manhole covers, etc.	3,278
Total Inventory	<u>\$400,218</u>

NOTE 6 - INVESTMENT IN JOINT VENTURE:

As described in Note 1, included in the Statement of Net Assets is the amount of \$67,778, which represents the Village's investment in the Sebewaing Harbor Commission. The Sebewaing Harbor Commission is being treated as a joint venture because the Village shares equal financial and oversight responsibility with Sebewaing Township. The investment in the Sebewaing Harbor Commission is being accounted for using the equity method of accounting. The following is a condensed balance sheet of the Sebewaing Harbor Commission as of March 31, 2008:

VILLAGE OF SEBEWAING, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 6 - INVESTMENT IN JOINT VENTURE: (CONTINUED)

Assets:	
Cash	\$ 6,301
Capital assets	103,340
Marina lease - net	<u>57,432</u>
Total Assets	<u>\$167,073</u>
Liabilities:	
Accounts payable	\$ 87
Due to Village of Sebewaing	31,210
Deferred revenue	<u>221</u>
Total Liabilities	31,518
Net Assets:	
Investment in capital assets	103,340
Unrestricted	<u>32,215</u>
Total Liabilities and Net Assets	<u>\$167,073</u>

The Village of Sebewaing and Sebewaing Township, on an equal basis, formed the Sebewaing Harbor Commission to construct a marina. The Sebewaing Harbor Commission owned the land and received annual lease payments from the operator of the marina facility. The construction of the marina was financed by grants from the State of Michigan.

The Village advanced funds to the Harbor Commission which were used for the purchase of land at the proposed site of the marina. As of March 31, 2008, the amount due to the Village of Sebewaing from the Sebewaing Harbor Commission amounted to \$31,210.

NOTE 7 – DUE FROM STATE:

The amount due from the State of Michigan of \$100,000 is a reimbursement due to the Village of Sebewaing for the dredging project for the Sebewaing Harbor Commission that took place during the fiscal year. The Village applied for a grant from the State of Michigan to finance the dredging project for the Harbor Commission and the expenditures for the project were also paid by the Village during the fiscal year.

NOTE 8 - LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the Village for the year ended March 31, 2008:

	M-25 SEWER AND WATER COMPENSATED CONSTRUCTION			
	NOTE PAYABLE	ABSENCES	BONDS	TOTALS
Balance, March 31, 2007	\$45,000	\$167,038	\$235,000	\$447,038
Note payment	(3,335)			(3,335)
Bonds retired			(35,000)	(35,000)
Net change in compensated absences		(5,458)		(5,458)
Total	41,665	161,580	200,000	403,245
Less: Current portion	(3,551)	(11,000)	(40,000)	(54,551)
Balance, March 31, 2008	<u>\$38,114</u>	<u>\$150,580</u>	<u>\$160,000</u>	<u>\$348,694</u>

VILLAGE OF SEBEWAING, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 8 - LONG-TERM DEBT: (CONTINUED)

Details of the Village of Sebewaing's long-term debt as of March 31, 2008, are as follows:

On June 1, 1989, Huron County issued bonds totaling \$525,000 for the Village of Sebewaing for the purpose of defraying the cost of acquiring and constructing sanitary sewer and water lines along M-25 from Sebewaing Road south approximately 2,800 feet. The bonds shall be known as "Sebewaing M-25 Water and Sanitary Sewer System Bonds" and shall mature on September 1, 1990 and each September 1 thereafter until fully paid. The bonds shall bear interest payable September 1, 1989 and each March 1 and September 1 thereafter until maturity. The bonds final maturity date is September 1, 2012. The interest rates on the bonds range from 6.65% to 9.5% per annum, depending on maturity dates of the individual bonds. Bonds maturing on or after September 1, 2002 shall be subject to redemption in whole or in part on any interest payment date on or after September 1, 2001 in any order, at the option of the County, at par, plus accrued interest, plus a premium, if any, stated as a percentage of the face amount, as follows:

If redeemed on or after September 1, 2001, but before September 1, 2006: 2%

If redeemed on or after September 1, 2006, but before September 1, 2011: 1%

Bonds maturing on or after September 1, 2011 shall be subject to redemption without a premium.

\$200,000

On November 22, 2006, the Village entered into a note payable totaling \$45,000 for the purpose of purchasing a commercial building that was renovated into a new village office. The note requires annual payments commencing November 22, 2007 in the amount of \$6,260 including interest at the rate of 6.5% per annum until the note is paid in full. The final maturity date is November 22, 2016. The note is secured by a mortgage on the building.

41,665

Compensated absences

161,580

Total Long-Term Debt Outstanding

403,245

Less: Current Portion of Long-Term Debt

(54,551)

Total Long-Term Portion of Debt

\$348,694

VILLAGE OF SEBEWAING, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 8 - LONG-TERM DEBT: (CONTINUED)

Long-term Debt Service requirements excluding compensated absences at March 31, 2008 are as follows:

	<u>M-25 Bonds</u>	<u>Note Payable</u>
Year Ending 3/31/09	\$ 52,810	\$ 6,260
3/31/10	49,980	6,260
3/31/11	47,140	6,260
3/31/12	44,290	6,260
3/31/13	41,430	6,260
3/31/14-3/31/18		<u>25,037</u>
Totals	<u>235,650</u>	<u>56,337</u>
Less Interest	<u>(35,650)</u>	<u>(14,672)</u>
Principal outstanding	<u>\$200,000</u>	<u>\$41,665</u>

Total interest incurred amounted to \$18,379 for the year ended March 31, 2008, all of which was charged to expense.

NOTE 9 – RESTRICTED AND DESIGNATED FUND BALANCES AND NET ASSETS:

Fund balances and net assets of the Village have been restricted and designated for the following purposes:

	<u>Designated</u>	<u>Restricted</u>
General Fund:		
Playscape	\$ 2,702	
Parks	783	
Beautification	7,785	
Office Building	3,000	
Sanitary Sewer:		
Sewer construction and replacement		\$ 336,568
M-25 Water and Sewer:		
Debt retirement		76,514
Construction and replacement		185,142
Light and Water Department:		
Building and Equipment Replacement		<u>1,000,000</u>
Totals	<u>\$ 14,270</u>	<u>\$ 1,598,224</u>

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED:

Pension Plan:

Plan Description: The Village of Sebewaing participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 447 N. Canal Road, Lansing, Michigan 48917.

VILLAGE OF SEBEWAING, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED: (CONTINUED)

Pension Plan: (Continued)

Funding Policy: The obligation to contribute to and maintain the system for these employees was established by state statutes and requires a contribution from the employees of 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200.

Annual Pension Cost: For the year ended March 31, 2008, the Village's annual pension cost of \$114,753 for the plan was equal to the Village's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

Three year trend information:

	<u>Fiscal year ended December 31,</u>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 103,944	\$ 114,440	\$ 116,988
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-0-	-0-	-0-
Actuarial value of assets	4,147,907	4,325,940	4,513,712
Actuarial Accrued Liability (entry age)	5,507,223	5,639,628	6,008,642
Unfunded AAL	1,359,316	1,313,688	1,494,930
Funded ratio	75%	77%	75%
Covered payroll	930,050	927,927	930,708
UAAL as a percentage of covered payroll	146%	142%	161%

NOTE 11 - DEFERRED COMPENSATION:

Employees of the Village of Sebewaing may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect To Service For State and Local Governments).

The deferred compensation plan is available to all employees of the Village. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation plan is administered by an unrelated financial institution.

NOTE 12 - CONTINGENT LIABILITIES:

The Village is a reimbursing employer for purposes of unemployment insurance claims against the Village. The Village reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. Because an estimate cannot be made, the contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred.

VILLAGE OF SEBEWAING, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 13 - RELATED PARTY TRANSACTIONS:

As a matter of convenience, the Sebewaing Light and Water Department collects sewer, trash and fines billed by the Village of Sebewaing along with its own electric and water utility billings from customers. The collections for sewer, trash and fine charges are then periodically transferred to the Village's accounts. During the year ended March 31, 2008, the Village's General and Sanitary Sewer Funds paid \$36,333 to the Light and Water Department for electric service for street lighting and lift station operation.

Also, during the year ended March 31, 2008, the Sebewaing Light and Water Department advanced \$25,000 to the Village of Sebewaing to finance a loan to the Sebewaing Harbor Commission.

NOTE 14 - RISK MANAGEMENT:

General Liability:

Village of Sebewaing participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$8.6 million for real and personal property losses and \$5 million for liability losses. Village of Sebewaing is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Workers' Compensation:

Village of Sebewaing purchased commercial insurance coverage for losses related to workers' compensation claims.

Employee Health Care:

Village of Sebewaing purchased commercial insurance coverage for its employees and their dependents.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF SEBEWAING, MICHIGAN

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUE:				
Taxes	\$ 391,315	\$ 391,315	\$ 394,816	\$ 3,501
Licenses and permits	500	500	880	380
Intergovernmental	239,570	239,570	336,613	97,043
Fines	4,000	4,000	6,101	2,101
Charges for services	92,000	92,000	90,983	(1,017)
Miscellaneous	22,590	22,590	33,440	10,850
TOTAL REVENUE	<u>749,975</u>	<u>749,975</u>	<u>862,833</u>	<u>112,858</u>
EXPENDITURES:				
General government:				
Legislative:				
Salaries	22,320	22,320	13,000	9,320
Fringe benefits	1,710	1,710	1,333	377
Total legislative	<u>24,030</u>	<u>24,030</u>	<u>14,333</u>	<u>9,697</u>
Financial and administration:				
Salaries	60,150	59,425	58,997	428
Fringe benefits	25,425	25,690	27,032	(1,342)
Supplies	2,500	3,250	3,245	5
Postage	2,800	2,800	2,452	348
Professional services	17,300	7,550	6,776	774
Telephone and internet services	2,700	3,000	2,920	80
Transportation	1,000	700	325	375
Promotions	8,500	11,650	11,143	507
Printing and publishing	10,320	7,495	6,065	1,430
Insurance	2,660	1,910	(479)	2,389
Repairs and maintenance	6,000	5,550	5,111	439
Contributed to other government	500	500	500	
Dues and subscriptions	1,750	1,850	1,780	70
Miscellaneous	1,300	1,300	1,442	(142)
Total financial and administration	<u>142,905</u>	<u>132,670</u>	<u>127,309</u>	<u>5,361</u>
Buildings and grounds:				
Salaries	3,000	4,500	4,474	26
Fringe benefits	230	380	342	38
Insurance	1,560	1,560	1,557	3
Utilities	12,500	7,800	6,698	1,102
Repairs and maintenance	8,700	13,100	13,028	72
Total buildings and grounds	<u>25,990</u>	<u>27,340</u>	<u>26,099</u>	<u>1,242</u>
Total general government	<u>192,925</u>	<u>184,040</u>	<u>167,741</u>	<u>16,299</u>

VILLAGE OF SEBEWAING, MICHIGAN

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
Public safety:				
Salaries	196,300	181,300	178,731	2,569
Sick leave payout		11,850	11,832	18
Fringe benefits	77,175	79,475	78,337	1,138
Supplies	1,300	1,425	1,368	57
Gasoline	9,000	9,000	8,991	9
Uniforms and laundry	1,200	1,400	1,351	49
Professional services	8,000	7,000	2,868	4,132
Contracted services	1,500	1,500	1,331	169
Telephone and internet services	3,336	3,336	2,940	396
Insurance	26,500	25,000	26,398	(1,398)
Repairs and maintenance	3,700	3,400	2,198	1,202
Dues and subscriptions	250	250		250
Education and training	1,450	1,550	1,508	42
Miscellaneous	750	1,050	459	591
Total public safety	<u>330,461</u>	<u>327,536</u>	<u>318,312</u>	<u>9,224</u>
Public services:				
Public lighting	33,000	31,500	31,452	48
Sanitation	85,000	85,000	84,503	497
Salaries	8,000	7,450	7,177	273
Fringe benefits	5,825	5,600	5,333	267
Licensing	500	650	627	23
Supplies	2,000	2,000	1,856	144
Materials	1,000	1,000	781	219
Uniforms and gloves	1,400	900	784	116
Professional services	1,000	500	63	437
Contracted services	2,250	2,100	1,648	452
Telephone and internet services	2,550	2,400	2,191	209
Transportation	100	100		100
Insurance	1,600	1,350	1,369	(19)
Utilities	3,000	2,850	2,670	180
Equipment rental		150	147	4
Miscellaneous	1,800	500	268	232
Total public services	<u>149,025</u>	<u>144,050</u>	<u>140,869</u>	<u>3,181</u>
Parks and recreation:				
Salaries	24,200	20,700	19,810	890
Fringe benefits	12,550	11,150	11,318	(168)
Safety equipment	100	100		100
Gasoline	800	800	599	201
Supplies	2,000	2,250	2,225	25
Contracted services	1,750	2,150	2,050	100
Recreation	700	850	832	18
Insurance	3,100	2,850	2,913	(63)
Utilities	2,650	3,500	3,756	(256)

(Continued)

VILLAGE OF SEBEWAING, MICHIGAN

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
Parks and recreation (continued):				
Repairs and maintenance	5,600	5,100	4,897	203
Miscellaneous	<u>300</u>	<u>400</u>	<u>305</u>	<u>95</u>
Total parks and recreation	53,750	49,850	48,705	1,145
 Capital outlay	 128,089	 161,239	 242,538	 (81,299)
 TOTAL EXPENDITURES	 <u>854,250</u>	 <u>866,715</u>	 <u>918,165</u>	 <u>(51,450)</u>
 EXCESS OF REVENUE (UNDER) EXPENDITURES	 <u>(104,275)</u>	 <u>(116,740)</u>	 <u>(55,332)</u>	 <u>61,408</u>
 OTHER FINANCING SOURCES (USES):				
Operating transfers in	1,250	1,250	1,566	316
Operating transfers out	<u>(58,040)</u>	<u>(56,840)</u>	<u>(56,822)</u>	<u>18</u>
TOTAL OTHER FINANCING (USES)	(56,790)	(55,590)	(55,256)	334
 EXCESS OF REVENUE AND OTHER SOURCES (UNDER) EXPENDITURES AND OTHER (USES)	 <u>(161,065)</u>	 <u>(172,330)</u>	 <u>(110,588)</u>	 <u>61,742</u>
 FUND BALANCE - BEGINNING	 518,014	 518,014	 518,014	
 FUND BALANCE - ENDING	 <u>\$ 356,949</u>	 <u>\$ 345,684</u>	 <u>\$ 407,426</u>	 <u>\$ 61,742</u>

SUPPLEMENTAL INFORMATION

VILLAGE OF SEBEWAING, MICHIGAN

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2008**

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>STREET</u>	<u>TOTALS MARCH 31,</u>	
				<u>2008</u>	<u>2007</u>
<u>ASSETS</u>					
Cash and deposits	\$ 3,634	\$ 6,995	\$ 268,985	\$ 279,614	\$ 204,083
Investments			81,110	81,110	82,793
Accounts receivable	17,745	7,461		25,206	25,860
Accrued interest receivable			1,054	1,054	261
Prepaid insurance	1,752	1,895		3,647	3,435
Due from other funds					222
TOTAL ASSETS	<u>\$ 23,131</u>	<u>\$ 16,351</u>	<u>\$ 351,149</u>	<u>\$ 390,631</u>	<u>\$ 316,655</u>
<u>LIABILITIES AND FUND EQUITY</u>					
<u>CURRENT LIABILITIES:</u>					
Due to other funds					\$ 222
TOTAL LIABILITIES					222
<u>FUND BALANCE:</u>					
Undesignated	\$ 23,131	\$ 16,351	\$ 351,149	\$ 390,631	316,433
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 23,131</u>	<u>\$ 16,351</u>	<u>\$ 351,149</u>	<u>\$ 390,631</u>	<u>\$ 316,655</u>

VILLAGE OF SEBEWAING, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2008

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>STREET</u>	<u>CAPITAL PROJECTS</u>	<u>TOTALS MARCH 31,</u>	
					<u>2008</u>	<u>2007</u>
REVENUE:						
Taxes			\$ 137,379		\$ 137,379	\$ 134,830
Intergovernmental	\$ 108,743	\$ 42,270	41,509		192,523	540,904
Miscellaneous	2,912	606	13,266		16,784	17,281
TOTAL REVENUE	<u>111,655</u>	<u>42,877</u>	<u>192,154</u>		<u>346,686</u>	<u>693,015</u>
EXPENDITURES:						
Streets	146,514	123,758			270,272	320,433
Miscellaneous			650		650	650
Capital outlay						297,817
TOTAL EXPENDITURES	<u>146,514</u>	<u>123,758</u>	<u>650</u>		<u>270,922</u>	<u>618,900</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(34,859)</u>	<u>(80,881)</u>	<u>191,504</u>		<u>75,764</u>	<u>74,115</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in	14,953	84,500			99,453	84,238
Operating transfers out			(100,566)	\$ (453)	(101,019)	(91,512)
TOTAL OTHER FINANCING SOURCES (USES)	<u>14,953</u>	<u>84,500</u>	<u>(100,566)</u>	<u>(453)</u>	<u>(1,566)</u>	<u>(7,274)</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(19,906)</u>	<u>3,619</u>	<u>90,938</u>	<u>(453)</u>	<u>74,198</u>	<u>66,841</u>
FUND BALANCE - BEGINNING OF YEAR	<u>43,037</u>	<u>12,732</u>	<u>260,211</u>	<u>453</u>	<u>316,433</u>	<u>249,592</u>
FUND BALANCE - END OF YEAR	<u>\$ 23,131</u>	<u>\$ 16,351</u>	<u>\$ 351,149</u>	<u>\$ -</u>	<u>\$ 390,631</u>	<u>\$ 316,433</u>

VILLAGE OF SEBEWAING, MICHIGAN

**MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUE:				
Intergovernmental:				
Gas and weight tax	\$ 99,000	\$ 99,000	\$ 97,204	\$ (1,796)
Metro Act Annual Fee			6,636	6,636
Build Michigan road program			3,403	3,403
MDOT grant match	53,728	53,728		(53,728)
Major snow program			1,500	1,500
Sweeping	<u>3,000</u>	<u>3,000</u>		<u>(3,000)</u>
Total intergovernmental	155,728	155,728	108,743	(46,985)
Miscellaneous:				
Special assessment	1,887	1,887	1,507	(380)
Interest income	<u>1,600</u>	<u>1,600</u>	<u>1,405</u>	<u>(195)</u>
TOTAL REVENUE	<u>159,215</u>	<u>159,215</u>	<u>111,655</u>	<u>(47,560)</u>
EXPENDITURES:				
Routine maintenance:				
Labor	34,500	34,700	34,633	67
Materials	6,500	6,500	3,164	3,336
Contracted services	19,000	16,000	14,201	1,800
Equipment rental	<u>37,000</u>	<u>33,500</u>	<u>30,723</u>	<u>2,777</u>
Total routine maintenance	<u>97,000</u>	<u>90,700</u>	<u>82,720</u>	<u>7,980</u>
 Preservation of bridge:				
Labor	1,500	1,500	300	1,200
Materials	500	500	338	162
Engineering fees	1,500	1,500	1,225	275
Equipment rental	<u>500</u>	<u>500</u>		<u>500</u>
Total preservation of bridge	<u>4,000</u>	<u>4,000</u>	<u>1,863</u>	<u>2,137</u>
 Trees:				
Labor	1,000	1,000	814	186
Materials	150	150	35	115
Contracted services	1,000	1,000	693	307
Equipment rental	<u>500</u>	<u>500</u>	<u>537</u>	<u>(37)</u>
Total trees	<u>2,650</u>	<u>2,650</u>	<u>2,079</u>	<u>571</u>
 Traffic services:				
Labor	1,000	1,000	484	516
Materials	1,000	1,000	343	657
Equipment rental	<u>750</u>	<u>750</u>	<u>177</u>	<u>573</u>
Total traffic services	<u>2,750</u>	<u>2,750</u>	<u>1,003</u>	<u>1,747</u>

VILLAGE OF SEBEWAING, MICHIGAN

**MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
Winter maintenance:				
Labor	8,000	11,000	10,794	205
Materials	2,500	2,500	1,757	743
Equipment rental	11,500	14,800	14,682	118
Total winter maintenance	<u>22,000</u>	<u>28,300</u>	<u>27,233</u>	<u>1,067</u>
Administration:				
Labor	4,000	3,800	3,138	662
Fringe benefits	23,590	24,590	24,434	156
Professional services	750	750	750	
Insurance	4,100	3,300	3,294	6
Total administration	<u>32,440</u>	<u>32,440</u>	<u>31,616</u>	<u>824</u>
TOTAL EXPENDITURES	<u>160,840</u>	<u>160,840</u>	<u>146,514</u>	<u>14,326</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(1,625)</u>	<u>(1,625)</u>	<u>(34,859)</u>	<u>(33,234)</u>
OTHER FINANCING SOURCES:				
Operating transfers in	4,500	14,500	14,953	453
TOTAL OTHER FINANCING SOURCES	<u>4,500</u>	<u>14,500</u>	<u>14,953</u>	<u>453</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>2,875</u>	<u>12,875</u>	<u>(19,906)</u>	<u>(32,781)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>43,037</u>	<u>43,037</u>	<u>43,037</u>	
FUND BALANCE - END OF YEAR	<u>\$ 45,912</u>	<u>\$ 55,912</u>	<u>\$ 23,131</u>	<u>\$ (32,781)</u>

VILLAGE OF SEBEWAING, MICHIGAN

**LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUE:				
Intergovernmental:				
Gas and weight tax	\$ 41,165	\$ 41,165	\$ 40,841	\$ (324)
Build Michigan road program			1,429	1,429
Miscellaneous:				
Interest income	500	500	606	106
TOTAL REVENUE	<u>41,665</u>	<u>41,665</u>	<u>42,877</u>	<u>1,212</u>
EXPENDITURES:				
Routine maintenance:				
Labor	37,000	37,000	35,831	1,169
Materials	7,000	7,000	3,118	3,882
Contracted services	15,000	15,000	11,470	3,530
Equipment rental	32,000	26,000	23,314	2,686
Total routine maintenance	<u>91,000</u>	<u>85,000</u>	<u>73,733</u>	<u>11,267</u>
Trees:				
Labor	1,000	1,000	1,051	(51)
Materials	200	200	35	165
Contracted services	1,000	1,000	693	307
Equipment rental	800	800	207	593
Total trees	<u>3,000</u>	<u>3,000</u>	<u>1,986</u>	<u>1,014</u>
Traffic services:				
Labor	1,000	1,000	291	709
Materials	1,000	1,000	343	657
Equipment rental	700	700	12	688
Total traffic services	<u>2,700</u>	<u>2,700</u>	<u>646</u>	<u>2,054</u>
Winter maintenance:				
Labor	5,000	6,500	6,009	491
Materials	500	1,000	882	118
Equipment rental	7,500	10,500	10,365	135
Total winter maintenance	<u>13,000</u>	<u>18,000</u>	<u>17,256</u>	<u>744</u>

VILLAGE OF SEBEWAING, MICHIGAN

**LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
Administration:				
Labor	4,000	4,000	3,103	897
Fringe benefits	22,670	23,670	23,321	349
Professional services	750	750	750	
Insurance	<u>3,800</u>	<u>3,800</u>	<u>2,961</u>	<u>839</u>
Total administration	<u>31,220</u>	<u>32,220</u>	<u>30,136</u>	<u>2,084</u>
TOTAL EXPENDITURES	<u>140,920</u>	<u>140,920</u>	<u>123,758</u>	<u>17,162</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(99,255)</u>	<u>(99,255)</u>	<u>(80,881)</u>	<u>18,374</u>
OTHER FINANCING SOURCES:				
Operating transfers in	<u>99,500</u>	<u>89,500</u>	<u>84,500</u>	<u>(5,000)</u>
TOTAL OTHER FINANCING SOURCES	<u>99,500</u>	<u>89,500</u>	<u>84,500</u>	<u>(5,000)</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>245</u>	<u>(9,755)</u>	<u>3,619</u>	<u>13,374</u>
FUND BALANCE - BEGINNING OF YEAR	<u>12,732</u>	<u>12,732</u>	<u>12,732</u>	
FUND BALANCE - END OF YEAR	<u>\$ 12,977</u>	<u>\$ 2,977</u>	<u>\$ 16,351</u>	<u>\$ 13,374</u>

VILLAGE OF SEBEWAING, MICHIGAN

**STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUE:				
Taxes:				
Current property taxes	\$ 138,000	\$ 138,000	\$ 137,379	\$ (621)
Intergovernmental:				
County road tax	32,700	32,700	34,850	2,150
State shared revenue	6,670	6,670	6,659	(11)
Miscellaneous:				
Interest on investments	<u>5,000</u>	<u>5,000</u>	<u>13,266</u>	<u>8,266</u>
TOTAL REVENUE	<u>182,370</u>	<u>182,370</u>	<u>192,154</u>	<u>9,784</u>
EXPENDITURES:				
Audit fees	650	650	650	
EXCESS OF REVENUE OVER EXPENDITURES	<u>181,720</u>	<u>181,720</u>	<u>191,504</u>	<u>9,784</u>
OTHER FINANCING (USES):				
Operating transfers out	(105,250)	(105,250)	(100,566)	4,684
EXCESS OF REVENUE OVER EXPENDITURES AND OTHER (USES)	<u>76,470</u>	<u>76,470</u>	<u>90,938</u>	<u>14,468</u>
FUND BALANCE - BEGINNING OF YEAR	260,211	260,211	260,211	
FUND BALANCE - END OF YEAR	<u>\$ 336,681</u>	<u>\$ 336,681</u>	<u>\$ 351,149</u>	<u>\$ 14,468</u>

VILLAGE OF SEBEWAING, MICHIGAN

SANITARY SEWER FUND

STATEMENT OF REVENUES AND EXPENSES

BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
OPERATING REVENUE:			
Charges for services	\$ 364,299	\$ 431,543	\$ 67,244
Intergovernmental	5,070		(5,070)
TOTAL OPERATING REVENUE	<u>369,369</u>	<u>431,543</u>	<u>62,174</u>
OPERATING EXPENSES:			
Salaries and wages	88,810	88,563	247
Employee benefits	37,010	36,763	247
Laboratory tests	5,500	5,238	262
Audit fees	3,400	3,400	
Legal fees	2,500		2,500
Printing and publishing	4,000	3,954	46
Insurance	5,000	4,164	836
Lift station expense	4,758	4,880	(122)
Maintenance and repair	127,240	83,113	44,127
Equipment rental	9,163	8,117	1,046
Miscellaneous	1,340	1,244	96
Depreciation	66,000	71,997	(5,997)
Capital outlay	7,500	433	7,067
TOTAL OPERATING EXPENSES	<u>362,221</u>	<u>311,865</u>	<u>50,356</u>
OPERATING INCOME	<u>7,148</u>	<u>119,678</u>	<u>112,530</u>
NONOPERATING REVENUE:			
Interest income	20,000	35,875	15,875
Miscellaneous	1,500	3,486	1,986
TOTAL NONOPERATING REVENUE	<u>21,500</u>	<u>39,360</u>	<u>17,860</u>
CHANGE IN NET ASSETS	<u>\$ 28,648</u>	<u>\$ 159,039</u>	<u>\$ 130,391</u>

VILLAGE OF SEBEWAING, MICHIGAN

M-25 WATER AND SEWER SYSTEM FUND

STATEMENT OF REVENUES AND EXPENSES

BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
OPERATING REVENUE:			
Charges for services	\$ 9,400	\$ 9,313	\$ (87)
OPERATING EXPENSES:			
Depreciation	8,400	8,397	3
TOTAL OPERATING EXPENSES	8,400	8,397	3
OPERATING INCOME	1,000	916	(84)
NONOPERATING REVENUE (EXPENSES):			
Interest income	500	10,946	10,446
Bond interest and fees	(16,200)	(16,001)	199
Amortization	(1,768)	(1,768)	(1,768)
TOTAL NONOPERATING (EXPENSES)	(15,700)	(6,824)	8,877
(LOSS) BEFORE OTHER FINANCING SOURCES	(14,700)	(5,908)	8,793
OTHER FINANCING SOURCES:			
Operating transfer in	39,300	40,089	789
CHANGE IN NET ASSETS	\$ 24,600	\$ 34,181	\$ 9,581

VILLAGE OF SEBEWAING, MICHIGAN

**INTERNAL SERVICE FUND
STATEMENT OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
OPERATING REVENUE:			
Charges for services	<u>\$ 101,813</u>	<u>\$ 88,350</u>	<u>\$ (13,463)</u>
OPERATING EXPENSES:			
Salaries and wages	13,600	12,018	1,582
Employee benefits	6,865	6,537	328
Operating supplies	1,500	1,445	55
Gas and oil	18,400	18,147	253
Audit fees	775	775	
Insurance	6,800	6,492	308
Maintenance and repair	17,000	14,238	2,762
Depreciation	<u>28,000</u>	<u>45,600</u>	<u>(17,600)</u>
TOTAL OPERATING EXPENSES	<u>92,940</u>	<u>105,252</u>	<u>(12,312)</u>
OPERATING INCOME (LOSS)	<u>8,873</u>	<u>(16,903)</u>	<u>(25,776)</u>
NONOPERATING REVENUE:			
Interest income	<u>2,000</u>	<u>6,300</u>	<u>4,300</u>
TOTAL NONOPERATING REVENUE	<u>2,000</u>	<u>6,300</u>	<u>4,300</u>
CHANGE IN NET ASSETS	<u>\$ 10,873</u>	<u>\$ (10,602)</u>	<u>\$ (21,475)</u>

VILLAGE OF SEBEWAING, MICHIGAN

**SCHEDULE OF M-25 SEWER AND WATER CONSTRUCTION BONDS
AT MARCH 31, 2008**

MATURITY	INTEREST				
	DATE	PRINCIPAL	RATE	AMOUNT	TOTAL
9/1/08	\$	40,000	7.05%	\$ 7,110	\$ 47,110
3/1/09				5,700	5,700
9/1/09		40,000	7.10%	5,700	45,700
3/1/10				4,280	4,280
9/1/10		40,000	7.10%	4,280	44,280
3/1/11				2,860	2,860
9/1/11		40,000	7.15%	2,860	42,860
3/1/12				1,430	1,430
9/1/12		40,000	7.15%	1,430	41,430
TOTALS	\$	200,000		\$ 35,650	\$ 235,650

To the Village Council and Management
of the Village of Sebewaing

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Village of Sebewaing as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Sebewaing's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

During our audit procedures, we noted that for all checks written by the Village, only one signature is required. This practice weakens the internal controls over cash by vesting complete disbursement authority in one person. The State of Michigan accounting procedures require dual signatures on each disbursement made by the Village. We suggest the Village consider developing procedures whereby checks written will have two signatures by authorized check signers before being released to the payees.

During our audit, we performed a test of a sample of the Village's cash receipts. The results of our test included 3 exceptions where the cash receipts did not reconcile to the bank deposits and 6 exceptions where the cash receipts did not have any supporting documents for the receipt. We tested a sample of 25 cash receipts. While the dollar amounts involved in the above exceptions were not significant, the number of occurrences indicates a breakdown in the Village's cash receipt procedures. Therefore, we recommend that the management of the Village take steps to improve the performance of the cash receipts procedures.

We noted that the sewer and trash accounts receivable subsidiary ledger is not routinely reconciled to the general ledger control accounts. This practice serves as a check on the accuracy of the record keeping process and maintains the accounts receivable on a more timely and accurate basis. The detail listing of accounts receivable, including the delinquent accounts that have been attached to the property taxes, should be reconciled to the general ledger control accounts at the end of each month. Any differences should be investigated and resolved as soon as possible.